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ITALY - MIDDLE EAST: The most successful stop on Foreign Minister Moro's tour of the Middle East was his visit last weekend to Saudi Arabia. According to press reports, the Saudis agreed in principle to supply Rome with an additional 20-30 million tons of crude oil over the next three years. The details are to be worked out between the two countries' state oil companies. The deal apparently envisions cooperation in the agricultural and industrial fields, including the possibility of an eventual exchange of Saudi oil for Italian industrial plants.

Moro's talks in Kuwait and Iran do not appear to have resulted in any new oil deals. In both countries, however, the Foreign Minister probably sought support for the inclusion of Italy on the Arab list of "friendly" nations by emphasizing Rome's recent public shift toward a more pro-Arab position. Before leaving for the Middle East, Moro said Israeli withdrawal from the occupied territories was the most important element in any Middle East settlement.

Moro also used his brief visit to Cairo to lobby for better treatment of Rome by the Arab oil producers. Although Egyptian Foreign Minister Fahmi made no strong commitment to intercede with the oil states regarding either a production increase or a price rollback, Moro reportedly came away with the impression that Cairo would recommend Rome's addition to the "friendly" list.

The positive aspects of Moro's tour--especially the Saudi deal--should go far to cool the debate in Rome over the country's Middle East policy. The government has been under sharp attack from business and political circles for following a policy calculated to offend no one in the Middle East while other West Europeans were arranging bilateral oil deals.

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VENEZUELA: The Venezuelan Government may be preparing to raise to 36 percent the proportion of petroleum royalties paid in crude oil. This would be double the recently announced figure of 18 percent, which is not scheduled to go into effect until early April.

Such a move would reflect Venezuela's current petroleum dilemma. On the one hand, the government wants to reap as much benefit as possible from the worldwide oil crisis; on the other hand, it wants to conserve its oil resources. By increasing the amount of royalty payments made in oil, Venezuela increases its control over oil sales without increasing production.

In addition, Venezuelan leaders are very interested in building an image of leadership in Latin America. Last weekend the Caldera government, which leaves office in early March, pledged to help several oil-short Central American countries. Venezuela probably will provide preferential cash loans to finance sales of oil supplies to these countries, but outright preferential treatment on prices is unlikely. Such an arrangement could be made at current prices, although delivery may not be made until April or later, when supplies are available. [REDACTED]

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[REDACTED]

ARGENTINA-USSR: A large Soviet economic and commercial delegation arrived in Buenos Aires last week to begin discussions on trade expansion. The Soviet mission will discuss the sale of equipment for electric power projects, offshore oil exploration, coal mining, petrochemicals, and fishing. In addition, the delegation will discuss the Soviet bid to provide equipment for the large Salto Grande hydroelectric project.

Argentina is anxious to sign a long-term agreement for exports of beef and consumer goods to the USSR. Moscow, however, will insist on an expansion of Argentine purchases of Soviet goods in an effort to correct the persistent imbalance in its trade with Argentina. In 1972, the USSR exported less than \$5 million worth of goods to Argentina but imported almost \$30 million.

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SOUTH AFRICA: The new uranium-enrichment method developed by the South Africans probably uses an aerodynamic process. [REDACTED] the process uses a large quantity of helium, which serves as either a diluent or a carrier gas for the uranium.

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The South Africans have not provided much information on the enrichment method. They claim, however, that the new process will be economically competitive with those used by other countries. Claims of economic advantages are based primarily on lower capital costs, maintenance, and operating costs. If the operation of the pilot plant demonstrates that the process is economical, the South Africans may become an important supplier of enriched uranium on the world market when a full-scale production plant is built.

The pilot plant to test the new process has been under construction near Pretoria since 1970 and is expected to go into operation later this year. The South Africans say the process is to be used for the production of slightly enriched uranium for reactor fuel. Like any isotope separation process, however, it could be adapted to the production of weapons-grade material. [REDACTED]

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USSR-MBFR: Chief Soviet MBFR delegate Khlestov has agreed to an informal meeting of six delegations on February 7 and has said he might not take a planned ten-day sightseeing trip. This modifies Khlestov's tactical approach of January 29 when he pressed for US-Soviet bilateral meetings and mentioned the proposed trip, apparently as a gesture of displeasure over NATO's negotiating posture. [REDACTED]

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Argentina: The government has issued an official announcement that President Juan Peron will leave soon for Europe where he reportedly is to hold talks with heads of state. A visit to Spain may be intended for surgery to remove bladder polyps. Peron underwent a similar operation in June 1973. [REDACTED]

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Costa Rica: The ruling National Liberation Party candidate, Daniel Oduber, has been declared the winner of Sunday's presidential election, thereby eliminating a need for a run-off in April. Oduber's party apparently will lose its traditional legislative majority and will have to seek stronger cooperation from opposition parties. The direction of Oduber's administration is unlikely to differ substantially from his predecessor, Jose Figueres. [REDACTED]

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**These items were prepared by CIA without consultation with the Departments of State and Defense.*

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